



VILLAGE OF VANDERBILT
Otsego County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2005

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Vanderbilt	County Otsego
Audit Date March 31, 2005	Opinion Date May 16, 2005	Date Accountant Report Submitted to State: September 26, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Accountant Signature Campbell, Kusterer & Co., P.C.		Zip 48707	

VILLAGE OF VANDERBILT
Otsego County, Michigan

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INDEPENDENT AUDITOR'S REPORT

May 16, 2005

To the Village Council
Village of Vanderbilt
Otsego County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Village of Vanderbilt, Otsego County, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Vanderbilt's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Village of Vanderbilt, Otsego County, Michigan as of March 31, 2005, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2004.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Village's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

VILLAGE OF VANDERBILT
Otsego County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

We are providing this letter in connection with your audit of the financial statements of the Village of Vanderbilt as of March 31, 2005.

We have made available to you all financial records and related data, and all relevant monitoring reports if any received from funding sources. In addition, copies of the minutes of the meetings of the Vanderbilt Village Council have been provided for you, as well as all budgets, amended budgets, and financial statements provided to the Village Council. The financial statements properly classify all funds and activities.

The Village of Vanderbilt has satisfactory title to all owned assets; there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

There have been no violations of budget ordinance laws including those pertaining to adopting and amending budgets. All necessary public hearings have been properly noticed and held. The minutes of these hearings are on file.

FINANCIAL HIGHLIGHTS

Net assets as of March 31, 2005, totaled \$587,331.14 for governmental activities. Revenues were \$133,926.58 for general government purposes, \$53,321.22 for major streets, and \$34,194.08 for local streets. Our equipment fund revenues were \$41,390.20. General activities showed a slight decrease in funds; however, both major and local streets showed an increase for 2004-05.

Our taxable value was \$8,678,207.00, which was an increase over the previous year.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Village and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Village in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Village as a whole using accounting methods used by private companies. The statement of net assets includes all of the Village's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

VILLAGE OF VANDERBILT
Otsego County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

ENTITY-WIDE FINANCIAL STATEMENTS (continued)

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Village are reported as governmental activities. This includes the General Fund, Major Street Fund, Local Street Fund and the net effect of the Equipment Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Village's funds, focusing on significant (major) funds not the Village as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Village Council also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Village has the following types of funds:

Governmental funds: All of the Village's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Village's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Village's governmental activities include the General Fund, Major Street Fund, Local Street Fund, and the net effect of the Equipment Fund.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

Our Cash position in governmental activities remains strong. As of March 31, 2005, we have no external debt.

During the fiscal year ended March 31, 2005, the Village resurfaced Old 27 (Mill) from the south Village limits to the MDOT bridge at a cost of \$56,000.00. This money came from the Major Street fund (gas and weights monies). During fiscal 2005-06 the balance of Old 27 will be resurfaced using street funds. This will be part of a cooperative endeavor to upgrade Old 27 within the boundaries of Corwith Township. The Otsego County Economic Alliance assisted the Township in securing a grant, with the County Road Commission and the Village pledging their funds to \$130,000.00 towards the community match. The Village will provide \$30,000.00 of this match which will cover the cost of resurfacing the remainder of Old 27 which is in the Village limits. This project along with an MDOT bridge project are to be complete by November 1, 2005.

The Village continues to try to improve the quality of life in the Village in order to encourage realtors to promote the Village more aggressively. There are a number of affordable housing units available in the Village.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

Our General fund covers expense for our public works services including street lights, park maintenance, operation and maintenance of the Village hall, the cost of operating general government (including wages), payment of taxes and insurance, health insurance for full-time employees, and employee retirement contribution. The cost of items covered by this fund was \$145,603.19 for year 2004-05.

VILLAGE OF VANDERBILT
Otsego County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS (continued)

Road construction, upgrade, and maintenance is covered by our street funds – major and local. The total cost of major street care for the year was \$81,111.72. Local street care was \$25,868.86. Snow removal which is a significant expense in northern Michigan is also covered by street funds.

Our Equipment fund provided funds for the purchase of a new truck, depreciation, and vehicle maintenance.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Village's governmental activities invested \$5,157.83 in capital assets.

The Village has no long-term debt liability.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is again a matter of concern. Each year, revenue sharing is targeted for cuts by the state government budget committee. This is very important to the Village as revenue sharing provides approximately 45% of our General fund.

Our taxable value increased only slightly in 2004-05, after a year of being the only area in Otsego County showing a decline in property values. Lack of sewer and water systems have impeded growth. The Village is actively pursuing a USDA (RDA) grant for a sewer system. Other grants will be sought, and information on bonding is being obtained.

Although we are a relatively small Village with a population of 587 (2000 census), we feel we have made improvement in our management of the Village. Our ordinances are up to date. Our bills are current and are paid promptly. All tax obligations are paid as required by law.

A change in Clerk and Treasurer has resulted in improved record keeping, and general information available to taxpayers. Both individuals were new to government methods. They attend seminars pertaining to their work area as available. We have been able to maintain a system of check and balances; both positions are closely monitored by the Village President.

We have no knowledge of any fraud or suspected fraud affecting the entity, including both management and employees. To our knowledge there have been no related party transactions.

CONTACTING THE VILLAGE'S MANAGEMENT

Our financial records are available to our taxpayers, creditors, and investors and available as requested, and provide a general overview of our finances. They demonstrate the Village's accountability for the revenues it receives. If you have any questions concerning this report please contact the Village President, Clerk, or Treasurer at (989) 983-4244 Monday through Friday from 10 a.m. to 4 p.m.

VILLAGE OF VANDERBILT
Otsego County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2005

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	424 470 88
Taxes receivable	3 949 23
Due from State of Michigan	<u>12 606 14</u>
Total Current Assets	<u>441 026 25</u>
NON-CURRENT ASSETS:	
Capital Assets	464 730 31
Less: Accumulated Depreciation	<u>(317 025 67)</u>
Total Non-current Assets	<u>147 704 64</u>
TOTAL ASSETS	<u>588 730 89</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>1 399 75</u>
Total Current Liabilities	<u>1 399 75</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>1 399 75</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	147 704 64
Unrestricted	<u>439 626 50</u>
Total Net Assets	<u>587 331 14</u>
TOTAL LIABILITIES AND NET ASSETS	<u>588 730 89</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF VANDERBILT
Otsego County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

		<u>Program Revenue</u>	<u>Governmental Activities</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
General government	46 444 10	1 400 00	(45 044 10)
Public safety	33 222 00	-	(33 222 00)
Public works	128 539 56	-	(128 539 56)
Culture and recreation	12 501 00	-	(12 501 00)
Other	19 742 65	-	(19 742 65)
Total Governmental Activities	<u>240 449 31</u>	<u>1 400 00</u>	<u>(239 049 31)</u>
General Revenues:			
Property taxes			77 882 29
State revenue sharing			132 092 79
Interest			4 640 87
Miscellaneous			5 425 93
Total General Revenues			<u>220 041 88</u>
Change in net assets			(19 007 43)
Net assets, beginning of year			<u>606 338 57</u>
Net Assets, End of Year			<u>587 331 14</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF VANDERBILT
Otsego County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2005

<u>Assets</u>	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total</u>
Cash in bank	79 792 00	128 134 68	49 176 70	257 103 38
Taxes receivable	3 949 23	-	-	3 949 23
Due from State of Michigan	-	8 735 60	3 870 54	12 606 14
Total Assets	<u>83 741 23</u>	<u>136 870 28</u>	<u>53 047 24</u>	<u>273 658 75</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	1 399 75	-	-	1 399 75
Total liabilities	<u>1 399 75</u>	<u>-</u>	<u>-</u>	<u>1 399 75</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	82 341 48	136 870 28	53 047 24	272 259 00
Total fund equity	<u>82 341 48</u>	<u>136 870 28</u>	<u>53 047 24</u>	<u>272 259 00</u>
Total Liabilities and Fund Equity	<u>83 741 23</u>	<u>136 870 28</u>	<u>53 047 24</u>	<u>273 658 75</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF VANDERBILT
Otsego County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2005

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS

272 259 00

Amounts reported for governmental activities in the statement of
net assets are different because –

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost
Accumulated depreciation

204 194 54
(110 099 76)

Internal service funds are used by management to charge the costs of certain
activities to individual funds. The assets and liabilities of the internal
service funds are included in governmental activities in the Statement of
Net Assets

220 977 36

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES

587 331 14

The accompanying notes are an integral part of these financial statements.

VILLAGE OF VANDERBILT
Otsego County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended March 31, 2005

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total</u>
Revenues:				
Property taxes	69 314 29	-	8 568 00	77 882 29
State revenue sharing	56 462 00	50 778 73	24 852 06	132 092 79
Interest	1 324 36	2 542 49	774 02	4 640 87
Rent	1 400 00	-	-	1 400 00
Miscellaneous	5 425 93	-	-	5 425 93
Total revenues	<u>133 926 58</u>	<u>53 321 22</u>	<u>34 194 08</u>	<u>221 441 88</u>
Expenditures:				
General government:				
General government	35 102 56	-	-	35 102 56
Building and grounds	7 055 55	-	-	7 055 55
Public safety:				
Fire protection	33 222 00	-	-	33 222 00
Public works:				
Highways and streets	38 738 89	81 111 72	25 868 86	145 719 47
Culture and recreation:				
Parks and recreation	6 583 71	-	-	6 583 71
Other:				
Other functions	19 742 65	-	-	19 742 65
Capital outlay	5 157 83	-	-	5 157 83
Total expenditures	<u>145 603 19</u>	<u>81 111 72</u>	<u>25 868 86</u>	<u>252 583 77</u>
Excess (deficiency) of revenues over expenditures	(11 676 61)	(27 790 50)	8 325 22	(31 141 89)
Fund balances, April 1	<u>94 018 09</u>	<u>164 660 78</u>	<u>44 722 02</u>	<u>303 400 89</u>
Fund Balances, March 31	<u>82 341 48</u>	<u>136 870 28</u>	<u>53 047 24</u>	<u>272 259 00</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF VANDERBILT
Otsego County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (31 141 89)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(10 203 28)
Capital Outlay	5 157 83

Internal service funds are used by management to charge the costs of equipment services
to individual funds. Net revenue of \$17,179.91 of the internal service fund is
reported within governmental activities.

17 179 91

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

(19 007 43)

The accompanying notes are an integral part of these financial statements.

VILLAGE OF VANDERBILT
Otsego County, Michigan

STATEMENT OF NET ASSETS – INTERNAL SERVICE FUND REPORTED IN GOVERNMENTAL ACTIVITIES
March 31, 2005

	Total (Equipment Fund)
ASSETS:	
CURRENT ASSETS:	
Cash in bank	167 367 50
Total Current Assets	167 367 50
NON-CURRENT ASSETS:	
Capital Assets	260 535 77
Less: Accumulated Depreciation	(206 925 91)
Total Non-current Assets	53 609 86
TOTAL ASSETS	220 977 36
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	-
Total Liabilities	-
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	53 609 86
Unrestricted	167 367 50
Total Net Assets	220 977 36
TOTAL LIABILITIES AND NET ASSETS	220 977 36

The accompanying notes are an integral part of these financial statements.

VILLAGE OF VANDERBILT
Otsego County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
INTERNAL SERVICE FUND REPORTED IN GOVERNMENTAL ACTIVITIES
Year ended March 31, 2005

	Total (Equipment Fund)
OPERATING REVENUES:	
Charges for services	39 207 05
Total Operating Revenues	39 207 05
OPERATING EXPENSES:	
Supplies	5 341 10
Repairs and maintenance	2 828 14
Total Operating Expenses	8 169 24
Operating Income (loss) before depreciation	31 037 81
Less: depreciation	(16 041 05)
Operating income (loss)	14 996 76
NON-OPERATING REVENUES (EXPENSES):	
Interest income	2 183 15
Total Non-operating Expenses	2 183 15
Change in net assets	17 179 91
Net assets, beginning of year	203 797 45
Net Assets, End of Year	220 977 36

The accompanying notes are an integral part of these financial statements.

VILLAGE OF VANDERBILT
Otsego County, Michigan

STATEMENT OF CASH FLOWS – INTERNAL SERVICE FUND REPORTED IN GOVERNMENTAL ACTIVITIES
Year ended March 31, 2005

	Total (Equipment Fund)
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	39 207 05
Cash payments to suppliers for goods and services	<u>(8 169 24)</u>
Net cash provided (used) by operating activities	<u>31 037 81</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	2 183 15
Net cash provided (used) by investing activities	<u>2 183 15</u>
Net increase (decrease) in cash	33 220 96
Cash beginning of year	<u>134 146 54</u>
Cash End of Year	<u><u>167 367 50</u></u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Income (loss) from operations	14 996 76
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:	
Depreciation	<u>16 041 05</u>
Net Cash Provided (Used) in Operating Activities	<u><u>31 037 81</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF VANDERBILT
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Village of Vanderbilt, Otsego County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Village contain all the Village funds that are controlled by or dependent on the Village's executive or legislative branches.

The reporting entity is the Village of Vanderbilt. The Village is governed by an elected Village Council. As required by generally accepted accounting principles, these financial statements present the Village as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Village's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

VILLAGE OF VANDERBILT
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund type operating statement presents revenues and expenses in net total assets. The accrual basis of accounting is utilized by the proprietary fund type. Under this basis of accounting revenues are recognized when earned and expenses are recognized when the related liability is incurred.

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Proprietary Fund

Internal Service Fund

This fund is used to record the financing of goods or services provided by the local unit to other departments and funds or to other governmental units on a cost reimbursement basis.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Village. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

All purchases of materials are reflected in expenses when paid in all funds.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

VILLAGE OF VANDERBILT
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes (continued)

Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on September 15 before they are added to the county tax rolls. The 2004 tax roll millage rate was 8.7874 mills, and the taxable value was \$8,678,207.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Village as assets with an initial cost of more than \$500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	20-40 years
Furniture and equipment	5-25 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Village provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2004, the Village implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Village's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Village's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Village's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$147,704.64.

VILLAGE OF VANDERBILT
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Village Council for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Village Council.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Village Council.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Village Council during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Village Council has designated one bank for the deposit of Village funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Village's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>424,470.88</u>

VILLAGE OF VANDERBILT
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 3 – Deposits and Investments (continued)

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	125 266 63
Uninsured and Uncollateralized	<u>301 223 28</u>
Total Deposits	<u><u>426 489 91</u></u>

The Village of Vanderbilt did not have any investments as of March 31, 2005.

Note 4 – Capital Assets

Capital asset activity of the Village's Governmental activities for the current year was as follows:

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/05</u>
<u>Governmental Activities:</u>				
Land	2 151 00	-	-	2 151 00
Buildings	119 961 46	2 904 00	-	122 865 46
Equipment	<u>337 460 02</u>	<u>2 253 83</u>	-	<u>339 713 85</u>
Total	459 572 48	5 157 83	-	464 730 31
Accumulated Depreciation	<u>(290 781 34)</u>	<u>(26 244 33)</u>	-	<u>(317 025 67)</u>
Net Capital Assets	<u><u>168 791 14</u></u>	<u><u>(21 086 50)</u></u>	<u>-</u>	<u><u>147 704 64</u></u>

Note 5 – Pension Plan

The Village has a defined contribution pension plan covering the Village's full-time employees. For the fiscal year ended March 31, 2005, the Village paid \$1,000.00 into the pension plan.

Note 6 – Deferred Compensation Plan

The Village does not have a deferred compensation plan.

Note 7 – Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Village has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Village of Vanderbilt does not issue building permits. Building permits are issued by the County of Otsego.

VILLAGE OF VANDERBILT
Otsego County, Michigan

BUDGETARY COMPARISON SCHEDULE -- GENERAL FUND
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	76 202 00	76 202 00	69 314 29	(6 887 71)
State revenue sharing	56 500 00	56 500 00	56 462 00	(38 00)
Interest	1 800 00	1 800 00	1 324 36	(475 64)
Rent	-	-	1 400 00	1 400 00
Miscellaneous	<u>6 000 00</u>	<u>6 000 00</u>	<u>5 425 93</u>	<u>(574 07)</u>
Total revenues	<u>140 502 00</u>	<u>140 502 00</u>	<u>133 926 58</u>	<u>(6 575 42)</u>
Expenditures:				
General government:				
General government	50 259 30	50 259 30	35 102 56	(15 156 74)
Building and grounds	8 500 00	8 507 39	7 055 55	(1 451 84)
Public safety:				
Fire protection	33 400 00	33 400 00	33 222 00	(178 00)
Public works:				
Highways and streets	43 620 00	43 620 00	38 738 89	(4 881 11)
Culture and recreation:				
Parks and recreation	10 800 00	10 800 00	6 583 71	(4 216 29)
Other:				
Other functions	20 800 00	20 792 61	19 742 65	(1 049 96)
Capital outlay	<u>5 500 00</u>	<u>5 500 00</u>	<u>5 157 83</u>	<u>(342 17)</u>
Total expenditures	<u>172 879 30</u>	<u>172 879 30</u>	<u>145 603 19</u>	<u>(27 276 11)</u>
Excess (deficiency) of revenues over expenditures	(32 377 30)	(32 377 30)	(11 676 61)	20 700 69
Fund balance, April 1	<u>32 377 30</u>	<u>32 377 30</u>	<u>94 018 09</u>	<u>61 640 79</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>82 341 48</u>	<u>82 341 48</u>

VILLAGE OF VANDERBILT
Otsego County, Michigan

BUDGETARY COMPARISON SCHEDULE – MAJOR STREET FUND
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
State revenue sharing	46 000 00	46 000 00	50 778 73	4 778 73
Interest	<u>2 700 00</u>	<u>2 700 00</u>	<u>2 542 49</u>	<u>(157 51)</u>
Total revenues	<u>48 700 00</u>	<u>48 700 00</u>	<u>53 321 22</u>	<u>4 621 22</u>
Expenditures:				
Public works:				
Highways and streets	<u>92 620 00</u>	<u>92 620 00</u>	<u>81 111 72</u>	<u>(11 508 28)</u>
Total expenditures	<u>92 620 00</u>	<u>92 620 00</u>	<u>81 111 72</u>	<u>(11 508 28)</u>
Excess (deficiency) of revenues over expenditures	(43 920 00)	(43 920 00)	(27 790 50)	16 129 50
Fund balance, April 1	<u>43 920 00</u>	<u>43 920 00</u>	<u>164 660 78</u>	<u>120 740 78</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>136 870 28</u>	<u>136 870 28</u>

VILLAGE OF VANDERBILT
Otsego County, Michigan

BUDGETARY COMPARISON SCHEDULE – LOCAL STREET FUND
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	8 589 30	8 589 30	8 568 00	(21 30)
State revenue sharing	20 700 00	20 700 00	24 852 06	4 152 06
Interest	<u>750 00</u>	<u>750 00</u>	<u>774 02</u>	<u>24 02</u>
Total revenues	<u>30 039 30</u>	<u>30 039 30</u>	<u>34 194 08</u>	<u>4 154 78</u>
Expenditures:				
Public works:				
Highways and streets	<u>40 920 00</u>	<u>40 920 00</u>	<u>25 868 86</u>	<u>(15 051 14)</u>
Total expenditures	<u>40 920 00</u>	<u>40 920 00</u>	<u>25 868 86</u>	<u>(15 051 14)</u>
Excess (deficiency) of revenues over expenditures	(10 880 70)	(10 880 70)	8 325 22	19 205 92
Fund balance, April 1	<u>10 880 70</u>	<u>10 880 70</u>	<u>44 722 02</u>	<u>33 841 32</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>53 047 24</u>	<u>53 047 24</u>

VILLAGE OF VANDERBILT
Otsego County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2005

General government:	
Village Council:	
Wages	5 100 00
Office supplies	2 431 99
Printing and publishing	1 293 00
Professional services	7 425 05
Community promotion	244 13
Memberships and dues	1 106 50
President:	
Wages	1 920 00
Miscellaneous	273 00
Elections:	
Miscellaneous	147 00
Clerk:	
Wages	7 000 04
Miscellaneous	139 25
Treasurer:	
Salary	4 250 05
Miscellaneous	227 90
Planning Commission	2 744 65
Zoning Administrator	800 00
	<u>35 102 56</u>
Building and grounds:	
Supplies	379 64
Telephone	1 759 47
Utilities	4 653 49
Repairs and maintenance	28 00
Miscellaneous	234 95
	<u>7 055 55</u>
Fire protection:	
Vanderbilt/Corwith Fire Department	<u>33 222 00</u>
Highways and streets:	
Public works:	
Wages	13 762 50
Pension	1 000 00
Hospital insurance	4 762 92
Contracted services – sanitation	3 855 00
Equipment rental	6 440 44
Street lighting	8 918 03
	<u>38 738 89</u>
Parks and recreation:	
Wages	2 008 75
Operating supplies	1 246 35
Utilities	577 12
Equipment rental	2 751 49
	<u>6 583 71</u>
Other functions:	
Insurance	15 927 00
Payroll taxes	3 815 65
	<u>19 742 65</u>
Capital outlay	<u>5 157 83</u>
Total Expenditures	<u>145 603 19</u>

VILLAGE OF VANDERBILT
Otsego County, Michigan

COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS
March 31, 2005

	<u>Major Street</u>	<u>Local Street</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	128 134 68	49 176 70	177 311 38
Due from State of Michigan	<u>8 735 60</u>	<u>3 870 54</u>	<u>12 606 14</u>
Total Assets	<u>136 870 28</u>	<u>53 047 24</u>	<u>189 917 52</u>
<u>Liabilities and Fund Balances</u>			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Unreserved:			
Undesignated	<u>136 870 28</u>	<u>53 047 24</u>	<u>189 917 52</u>
Total Liabilities and Fund Balances	<u>136 870 28</u>	<u>53 047 24</u>	<u>189 917 52</u>

VILLAGE OF VANDERBILT
Otsego County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS
Year ended March 31, 2005

	<u>Major Street</u>	<u>Local Street</u>	<u>Total</u>
Revenues:			
Property taxes	-	8 568 00	8 568 00
State revenue sharing	50 778 73	24 852 06	75 630 79
Interest	<u>2 542 49</u>	<u>774 02</u>	<u>3 316 51</u>
Total revenues	<u>53 321 22</u>	<u>34 194 08</u>	<u>87 515 30</u>
Expenditures - Public Works:			
Administration	420 00	420 00	840 00
Routine maintenance:			
Wages	3 232 00	3 698 50	6 930 50
Supplies/maintenance	816 18	80 90	897 08
Contracted services	56 054 20	3 924 25	59 978 45
Equipment rental	7 673 38	10 151 50	17 824 88
Traffic services:			
Supplies	454 59	-	454 59
Winter maintenance:			
Wages	2 412 00	2 650 00	5 062 00
Supplies	110 00	-	110 00
Contracted services	2 582 84	110 00	2 692 84
Equipment rental	<u>7 356 53</u>	<u>4 833 71</u>	<u>12 190 24</u>
Total expenditures	<u>81 111 72</u>	<u>25 868 86</u>	<u>106 980 58</u>
Excess (deficiency) of revenues over expenditures	(27 790 50)	8 325 22	(19 465 28)
Fund balances, April 1	<u>164 660 78</u>	<u>44 722 02</u>	<u>209 382 80</u>
Fund Balances, March 31	<u><u>136 870 28</u></u>	<u><u>53 047 24</u></u>	<u><u>189 917 52</u></u>

CAMPBELL, KUSTERER & CO., P.C.

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 16, 2005

To the Village Council
Village of Vanderbilt
Otsego County, Michigan

We have audited the financial statements of the Village of Vanderbilt for the year ended March 31, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Village of Vanderbilt in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Village Council
Village of Vanderbilt
Otsego County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2005. The implementation of this pronouncement for the Village of Vanderbilt began with the year ended March 31, 2005. The daily operations and recording transactions did not change significantly, however, the Village is required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Village's financial statements and this communication of these matters does not affect our report on the Village's financial statements, dated March 31, 2005.

To the Village Council
Village of Vanderbilt
Otsego County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants